

**BOARD OF SUPERVISORS RESPONSE TO CIVIL GRAND JURY REPORT NO.
1107:
County Pension Reform**

FINDINGS

1. Pension benefits, as currently structured, are ultimately unsustainable.

Response: Agree.

2. Continued increases in pension cost may result in further reduction of public services.

Response: Agree.

3. The Board has taken some actions to reduce pension costs but more must be done to achieve sustainability.

Response: Agree.

4. Under the California Employer Retirement Law, the Board, without union agreement, could unilaterally adopt lower pension tiers and/or three-year averaging for final compensation for new employees.

Response: Disagree. The Board can design a new pension tier for new hires, but must obtain the unions' agreement to the terms of the new tier. Legislation would be required to authorize the new tier for newly hired general members. As to safety members, the need for legislation depends on whether the elements of the new tier are already in the County Employees Retirement Law (CERL). Any aspects not currently in the CERL would require legislation. The Board must obtain the unions' agreement on the use of three year averaging to calculate final compensation for new hires. Legislation would be required to authorize this change for newly hired general members.

5. The Board could achieve lower pension benefits and costs, if successfully negotiated with the union, by reducing salaries and other pay items that currently increase final average compensation. Some pay items, such as uniform pay, could be eliminated and excluded from final average compensation.

Response: Agree.

6. While the financial impact of many pension changes will not be recognized in the short-term, the County-with Union agreement--could immediately reduce costs by approximately \$18 million a year by eliminating its 'pick-up' portion of the employee's contribution to the retirement plan.

Response: Agree.

7. It is possible for retirees to receive more in pension benefits than the combined base salary those retirees earned while employed at the County.

Response: Agree.

8. Taxpayers are ultimately responsible for covering the shortfall between the cost of pensions and the amount accumulated from employee/employer contributions and pension fund investment income.

Response: Agree.

9. Some of the possible changes require State legislation, as noted in the table on page 7.

Response: Agree that some of the possible changes require State legislation. Disagree with some of the elements of the first three categories of data presented in the table on page 7:

1. **Design new pension tiers with lower benefits.** For new hires the Board can design a new pension tier for new hires, but must obtain the unions' agreement to the terms of the new tier. Legislation would be required to authorize the new tier for newly hired general members. As to safety members, the need for legislation depends on whether the elements of the new tier are already in the County Employees Retirement Law (CERL). Any aspects not currently in the CERL would require legislation. For current employees the Board can design a new pension tier for current employees, but lacks legal authority to require current employees to enter such a tier. Legislation would be required to authorize the Board to negotiate movement of current employees to a lower tier and to authorize any components of the tier not currently found in the CERL. The County and the unions would have to reach a negotiated agreement on the new tier. The new tier may be subject to legal challenge by any affected current employee.
2. **Utilize three year final average salary rather than the highest year.** For new hires the Board must obtain the unions' agreement on the use of three year averaging to calculate final compensation for new hires. Legislation would be required to authorize this change for newly hired general members. For current employees the Board lacks legal authority to require that three year averaging be used to calculate final compensation for current employees. Legislation would be required to authorize the Board to negotiate this pension benefit reduction for current employees. The County and the unions would have to reach a negotiated agreement on the change. The pension benefit reduction may be subject to legal challenge by any affected current employee.
3. **Eliminate terminal pay add-ons.** The Contra Costa County Employees' Retirement Association (CCCERA) determines which employment benefits are countable for purposes of determining Final Average Compensation. This is not a Board of Supervisors or Union decision. The Board and unions may negotiate elimination of employment benefits.

10. Pension reform is complex due to the differing legal opinions on what can be done, who can make it happen and when it can be done. This has led to public interest.

Response: Agree that pension reform is complex and agree that there are differing legal opinions on what can be done, who can make it happen and when it can be done. .

RECOMMENDATIONS

1. In order to bring about change, the Board should work with its union partners during the current contract negotiations for concessions to offset rising pension costs.

Response: The recommendation has been implemented; the Board is working with its union partners through

the County's labor negotiators to negotiate concessions to bring the County budget into structural balance.

2. The Board should prioritize its focus on benefit changes that have an immediate financial impact, while pursuing legislative relief where necessary, to accomplish further reductions. (See table on page 7)

Response: The recommendation has been implemented; the Board has prioritized its focus on benefit changes that have an immediate financial impact. The Board is currently engaged in labor negotiations with most of the recognized employee organizations and has sponsored SB 373 which would remove the sunset clause in Government Code section 31484.9.

3. Those changes that can be made unilaterally by the Board for new employees should be adopted. (See table on page 7).

Response: The recommendation has been implemented; although the Board has little unilateral authority, the Board recently eliminated the sale of vacation benefit for unrepresented management employees beginning July 1, 2012.

4. The Board should require employees to contribute more to their retirement costs.

Response: The recommendation would require the Board to take unilateral action outside the labor negotiations process. The Board is currently engaged in labor negotiations with most of the recognized employee organizations.

5. County leadership should work expeditiously to eliminate the 'pick-up' portion of the employees' contributions to the retirement plan, saving up to \$18 million a year.

Response: The recommendation has been implemented; the Board is currently engaged in labor negotiations with most of the recognized employee organizations.

6. The Board should seek special legislation to enable the County to cap retirement income so that no employee receives a pension greater than the base salary earned.

Response: The recommendation has not yet been implemented; the Board is currently engaged in labor negotiations with most of the recognized employee organizations. Legislation would be required to authorize the parties to negotiate a cap on retirement income for future hires. The County and the unions would have to reach a negotiated agreement on the cap.

7. Given the complexity of pension reform issues, the number of legislative changes being proposed and ongoing labor negotiations, the Board should keep the public informed of what is being proposed and the Board's positions on these issues.

Response: The recommendation has been implemented; the Board of Supervisors held a Pension 101 workshop specifically to educate the Board, employees, and the public regarding basic pension information and issues. All materials from the workshop were posted on the County's website and are available at <http://ca-contracostacounty.civicplus.com/index.aspx?NID=2617>.

CONSEQUENCE OF NEGATIVE ACTION:

None.

CHILDREN'S IMPACT STATEMENT:

None.